

Order 2004-9-03
Served: September 7, 2004



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 1st day of September, 2004

Essential air service at

**EPHRATA/MOSES LAKE,
WASHINGTON**

Docket OST-1998-3344

under 49 U.S.C. 41731 *et seq.*

ORDER REQUESTING PROPOSALS

Summary

By this order, the Department is requesting proposals from carriers interested in providing essential air service (EAS) at Ephrata/Moses Lake, Washington, for a two-year period, with or without subsidy.

Background

By Order 2001-6-22 issued June 25, 2001, the Department selected Big Sky Transportation Company, Inc., d/b/a Big Sky Airlines (Big Sky), to provide essential air service at Ephrata/Moses Lake for a two-year period. Subsidy was set at an annual rate of \$479,702 for the period July 29, 2001, through July 31, 2003, for eighteen nonstop round trips each week between Ephrata/Moses Lake and Seattle with 19-seat Metro III or Metro 23 aircraft.

In response to the terrorists attacks of September 11, the Department issued Order 2002-2-13, February 15, 2002, authorizing emergency essential air service payments to all subsidized carriers because of the losses by them in the face of generally lower revenue and higher costs, and to reflect and compensate for the fact that the essential air service carriers are paid on a pre-agreed, fixed rate per flight. That order provided for immediate increases to the final rates then in place on an *ad hoc*, interim basis, along with the authority to renegotiate new final rates to October 1, 2001, until the end of the carriers' selection terms.¹ By Order 2002-8-1, issued August 2, 2002, the Department set final subsidy rates for Big Sky's service at Ephrata/Moses Lake at \$1,132,911 for the period October 1, 2001, through November 30, 2002, and \$895,986 for the period December 1, 2002, through July 31, 2003.

By Order 2003-8-6, issued August 5, 2003, the Department set a final annual subsidy rate of \$1,344,577 for Big Sky's service at Ephrata/Moses Lake, effective August 1, 2003, until further

¹ See Order 2002-2-13 for a complete discussion of the emergency relief.

Department action. That order also stated that the Department would issue an order requesting proposals from all carriers interested in providing EAS at the community.

Request for Proposals

As discussed in detail below, we have recently streamlined our procedures in response to a more competitive essential air service environment, and we find that this case merits being processed under our new, streamlined carrier selection procedures.

Carriers interested in filing proposals, with or without subsidy requests, should file them within 30 days of the date of service of this order. At the end of that period, our staff will docket the proposals, thereby making them public, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Shortly afterwards, we will provide a summary of the proposals to the communities and ask them to submit their final comments. We will give full consideration to all proposals that are timely filed.²

New Procedures

In the past, we have accepted *initial* carrier proposals, reviewed them, and then negotiated *final* proposals with each applicant before formally presenting the proposals to the communities and asking for their final comments. We found that a two-step process was generally necessary because, in most cases, the incumbent carrier was the only one interested. As a result, we were unable to rely on competition to discipline carrier subsidy requests, and communities had to wait on a protracted selection process. More recently, however, we have noticed that most orders requesting essential air service proposals have drawn interest from at least two carriers, and sometimes more. Under the circumstances, we expect that competition among multiple carriers will ensure reasonable subsidy requests, obviate the need for rate negotiations, and allow us to streamline the carrier selection process.

Consequently, interested carriers should prepare their proposals with every expectation that their initial proposals will also be their *final* and *only* proposals.³ We retain the discretion to negotiate proposals with carriers when we deem it desirable; in such cases, of course, we will give all applicants the same opportunity. For example, we anticipate that we will continue to negotiate rates in cases where there is only a single interested carrier, as is typically the situation in Alaska. We also retain the discretion to reject outright all unreasonable or unrealistic proposals and resolicit a new round of proposals. However, we anticipate that negotiation or rejection will remain only occasional exceptions to the rule.

We are here providing interested carriers with some basic information to serve as guidance when they prepare their proposals, but we will not prescribe a precise format for their proposals. We expect proposals to adequately describe the service being proposed and the annual amount of subsidy being requested. The applicants can make their own judgments as to the level of detail they wish to present; however, they might want to include proposed schedules as well as supporting data for their subsidy requests, such as projected block hours, revenues and expenses.

² In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not proceed with the carrier-selection case. Instead, we simply rely on that carrier's subsidy-free service as proposed.

³ For this reason, we will allow carriers 30 days to submit their proposals, rather than just 20 as in the past. Because the new procedures anticipate that a carrier's first proposal will also be its final proposal, we expect to enforce our filing deadlines more stringently than in the past. Carriers should not expect the Department to accept late filings. The additional 10 days will comfortably accommodate the additional time carriers may find necessary to prepare their proposals.

We strongly encourage clear, well-documented proposals that will facilitate their evaluation by the affected communities and the Department. We do not anticipate any change in our selection criteria, or in the general provisions governing subsidy payments for essential air service.⁴

We expect proposals consisting of service, at a minimum, with two-pilot, twin-engine aircraft with at least 15 passenger seats, and offering two or three round trips a day from Ephrata/Moses Lake to a suitable hub such as Seattle or any other hub offering convenient access to the nation's transportation system. Such service is generally consistent with what the community currently receives. We encourage proposals that meet those requirements in an efficient manner. Carriers are also welcome to propose more than one service option, if they choose; they need not limit themselves to those requirements if they envision other, potentially more attractive service possibilities—different hubs, for example—with subsidy requirements that remain competitive. Finally, while the Ephrata/Moses Lake community is guaranteed to receive service with 15-seat or larger aircraft, carriers could offer service with smaller aircraft, and perhaps more frequencies, if the community was willing to accept that trade-off. We would expect carriers to work with the community before submitting such a proposal.

Historical Traffic

Historical traffic for Ephrata/Moses Lake is detailed in Appendix B. During the year ended March 31, 2004, the most recent 12-month period for which traffic data are available, the community averaged 13.1 enplanements a day. During 2000, the last calendar year not affected by the terrorist attacks, Ephrata/Moses Lake averaged 31.3 enplanements per day.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.⁵ Consequently, all carriers receiving Federal subsidy for essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. Because the Department is prohibited from paying subsidy to carriers that do not submit these documents, all carriers that plan to submit proposals involving subsidy should be aware that the selected carrier will be expected to complete the required certifications. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053.⁶

Community and State Comments

⁴ In selecting a carrier to provide subsidized essential air service, 49 U.S.C. 41733(c)(1) directs us to consider four factors: (1) service reliability; (2) contractual and marketing arrangements with a larger carrier at the hub; (3) interline arrangements with a larger carrier at the hub; and (4) community views. In addition, we have always given weight to the applicants' relative subsidy requirements.

⁵ The regulations applicable to these areas are: (1) 49 CFR Part 20 -- New restrictions on lobbying; (2) 49 CFR Part 21 -- Nondiscrimination in federally-assisted programs of the Department of Transportation -- Effectuation of title VI of the Civil Rights Act of 1964; 49 CFR Part 27 -- Nondiscrimination on the basis of disability in programs and activities receiving or benefiting from Federal financial assistance; and 14 CFR Part 382 -- Nondiscrimination on the basis of disability in air travel; and (3) 49 CFR Part 29 -- Government-wide debarment and suspension (non-procurement) and government-wide requirements for drug-free workplace (grants).

⁶ The certifications are also available on the web at <http://ostpxweb.dot.gov/aviation/index.html>.

The community and state are welcome to submit comments on the proposals at any time. As noted earlier, however, we will provide a summary of the proposals to the civic parties and ask them to submit their final comments shortly after the end of the 30-day period for carrier proposals.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. We request that carriers interested in providing essential air service at Ephrata/Moses Lake, Washington, submit their proposals, with or without subsidy requests, no later than 30 days after the date of service of this order. The proposals should be sent to the EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street S.W., Washington, DC 20590, with the title “Proposal to Provide Essential Air Service at Ephrata/Moses Lake, Washington, Docket OST-1998-3344;”⁷
2. This docket will remain open until further order of the Department; and
3. We will serve a copy of this order on the Mayors of Ephrata and Moses Lake, the manager of Grant County Airport, the Washington State Department of Transportation, Aeronautics Division; the Governor of Washington; Big Sky Airlines, and the parties listed in Appendix C

By:

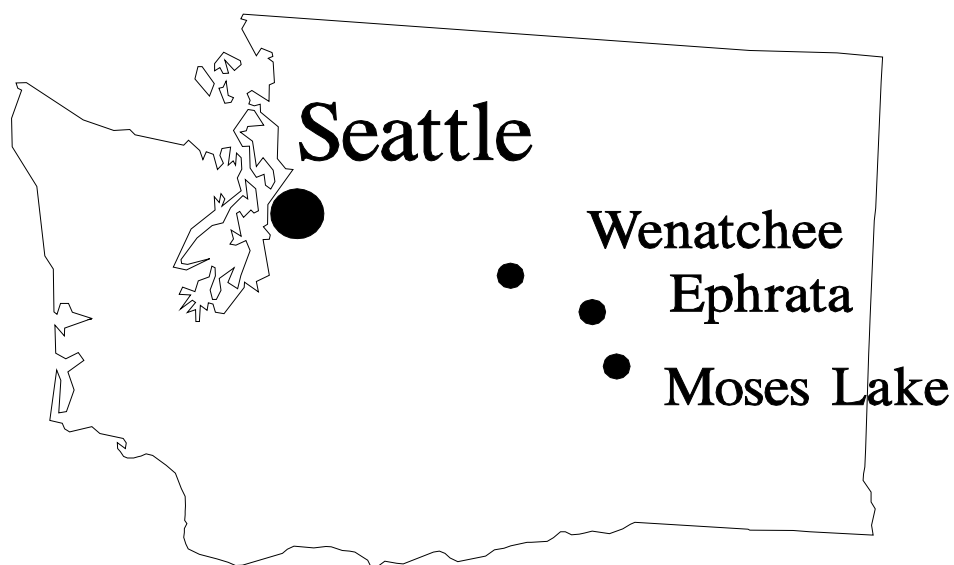
KARAN K. BHATIA
Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available
on the World Wide Web at <http://dms.dot.gov>*

⁷ Questions regarding filings in response to this order may be directed to John McCamant at (202) 366-1060.

AREA MAP



Washington

Essential Air Service at Moses Lake, Washington
Historical Origin-Destination Passenger Traffic (both directions) ¹

<u>Four quarters ended</u>	<u>Origin- Destination passengers</u>	<u>Annual Enplanements</u>	<u>Average Enplanements Per service day ²</u>
12/31/1998	20,781	10,404	33.2
12/31/1999	22,202	11,185	35.7
12/31/2000	19,498	9,831	31.3
12/31/2001	16,189	8,098	25.9
12/31/2002	10,284	5,206	16.6
12/31/2003	8,848	4,467	14.3
03/31/2004	8,499	4,321	13.8

¹ Source: U.S. Department of Transportation, Bureau of Transportation Statistics (BTS), Form 298-C, Schedule T-1, and BTS Form T100.

² Average annual enplanements divided by 313 (314 for leap years) annual service days.

SERVICE LIST FOR THE STATE OF WASHINGTON

Air LA, Inc.
Amerijet International, Inc.
Barken International, Inc.
Big Sky Transportation Co.
Delta Connection
Harbor Airlines, Inc.
Kenmore Air Harbor, Inc.
Metroflight, Inc.
Midway Airlines, Inc.
Midwest Express Airlines, Inc.
Northern Tier Airlines. Inc.
Northwest Airlink
Northwest Seaplanes, Inc.
Pacific Airwest, Inc.
Papillon Airways, Inc.
Patterson Aviation Company
Skyrunners Corporation
West Air Charter
West Isle Air, Inc.
WestAir Commuter Airlines, Inc.
Wing West Airlines, Inc.

Ken Bannon
Moise Berger
E.B. Freeman
A. Edward Jenner
John McFarlane
Richard A. Raymer
Kevin Thomas